

**STATE OF DELAWARE DEFERRED  
COMPENSATION PLAN  
Dover, Delaware**

**FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Management's Discussion and Analysis.....	2
<b>FINANCIAL STATEMENTS .....</b>	<b>4</b>
Statements of Net Assets Available for Plan Benefits .....	5
Statements of Changes in Net Assets Available for Plan Benefits .....	6
Notes to Financial Statements .....	7
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>23</b>

## Independent Auditor's Report

Deferred Compensation Council  
The State of Delaware Deferred Compensation Plan  
Dover, Delaware

We have audited the accompanying statements of net assets available for plan benefits of the State of Delaware Deferred Compensation Plan (the Plan) as of December 31, 2008 and 2007, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 2008 and 2007, and the changes in its net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2009, on our consideration of the Plan's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clifton Gunderson LLP*

Newark, Delaware  
May 1, 2009

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the State of Delaware Deferred Compensation Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2008, 2007 and 2006. The amounts included for the year ended December 31, 2006 are unaudited. It is presented as required supplemental information to the financial statements. Please read it in conjunction with the Plan's financial statements which follow this section.

**Financial Highlights**

- Net assets available for plan benefits decreased by approximately \$85.4 million during the current year from \$333.0 million at December 31, 2007 to \$247.5 million at December 31, 2008. Net assets available for plan benefits increased by approximately \$39.0 million from \$294.0 million at December 31, 2006 to \$333.0 million at December 31, 2007.
- Employee contributions remained relatively unchanged from \$37.3 million for the year ended December 31, 2007 to \$37.2 million for the year ended December 31, 2008. Employee contributions increased from \$34.6 million for the year ended December 31, 2006 to \$37.2 million for the year ended December 31, 2007. This increase is primarily due to an increase in the number of actively contributing participants.
- Variable earnings investment income/(loss) decreased from a \$23.6 million gain for the year ended December 31, 2007 to a \$104.0 million loss for the year ended December 31, 2008. The decrease is primarily due to the economic downturn during 2008 as compared to more favorable market conditions during 2007. Variable earnings investment income/(loss) remained relatively unchanged from \$23.7 million for the year ended December 31, 2006 to \$23.6 million for the year ended December 31, 2007. This decrease was primarily due to less favorable market conditions in 2007 as compared to 2006.
- Benefits paid to participants decreased from \$24.7 million for the year ended December 31, 2007 to \$21.9 million for year ended December 31, 2008. This decrease is primarily due to less retirees during 2008 as compared to 2007 as well as a decline in investment balances due to unfavorable Market conditions. Benefits paid to participants increased from \$22.6 million for the year ended December 31, 2006 to \$24.7 million for year ended December 31, 2007. This increase is primarily due to increased benefit payment amounts and an increase in the number of retirees.

**Overview of the Financial Statements**

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Overview of the Financial Statements (Continued)**

The Plan's net assets available for plan benefits decreased during the year ended December 31, 2008 by \$85,423,159 from \$333,008,713 to \$247,585,554. This decrease is primarily due to the variable investment loss attributable to the economic downturn during 2008. The analysis below focuses on Net Assets Available for Plan Benefits (Table 1) and Changes in Net Assets Available for Plan Benefits (Table 2).

**Table 1  
Net Assets Available for Plan Benefits**

	<u>2008</u>	<u>2007</u>	<u>2006 Unaudited</u>
Investments	<u>\$247,585,554</u>	<u>\$ 333,008,713</u>	<u>\$ 293,991,817</u>
<b>Net assets available for plan benefits</b>	<u><b>\$247,585,554</b></u>	<u><b>\$ 333,008,713</b></u>	<u><b>\$ 293,991,817</b></u>

**Table 2  
Changes in Net Assets Available for Plan Benefits**

	<u>2008</u>	<u>2007</u>	<u>2006 Unaudited</u>
<b>Additions</b>			
Employee contributions	\$ 37,204,711	\$ 37,276,802	\$ 34,574,883
Net transfers in	2,976,399	2,563,084	-
Interest income	276,139	299,571	312,884
Variable earnings investment income (loss)	(104,006,024)	23,560,767	28,668,929
<b>Deductions</b>			
Benefits paid to participants	21,859,605	24,674,253	22,682,117
Brokerage fees	<u>14,779</u>	<u>9,075</u>	<u>17,651</u>
<b>Increase (decrease) in net assets available for plan benefits</b>	<u><b>\$(85,423,159)</b></u>	<u><b>\$ 39,016,896</b></u>	<u><b>\$ 40,906,928</b></u>

**Financial Contact**

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Director of Defined Contribution Plans of the State of Delaware Deferred Compensation Plan at 820 Silver Lake Boulevard, Dover, Delaware 19904-2464.

## FINANCIAL STATEMENTS

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS  
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>INVESTMENTS</b>		
Fixed earnings investments	\$ 8,501,476	\$ 6,877,519
Variable earnings investments	<u>239,084,078</u>	<u>326,131,194</u>
 <b>NET ASSETS AVAILABLE FOR PLAN BENEFITS</b>	 <u>\$ 247,585,554</u>	 <u>\$ 333,008,713</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF DELAWARE**  
**DEFERRED COMPENSATION PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS**  
**Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO:</b>		
Employee contributions	\$ 37,204,711	\$ 37,276,802
Net transfers to/from other plans	2,976,399	2,563,084
Investment income:		
Variable earnings investment income (loss)	(104,006,024)	23,560,767
Interest income on fixed investments	<u>276,139</u>	<u>299,571</u>
Total additions	<u>(63,548,775)</u>	<u>63,700,224</u>
<b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:</b>		
Benefits paid to participants	21,859,605	24,674,253
Brokerage fees	<u>14,779</u>	<u>9,075</u>
Total deductions	<u>21,874,384</u>	<u>24,683,328</u>
<b>NET INCREASE (DECREASE)</b>	(85,423,159)	39,016,896
<b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b>	<u>333,008,713</u>	<u>293,991,817</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>	<u>\$ 247,585,554</u>	<u>\$ 333,008,713</u>

The accompanying notes are an integral part of the financial statements.



**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

The State of Delaware (the State) Deferred Compensation Plan (the Plan), a defined contribution plan, was established on July 1, 1971. The purpose of the Plan is to provide a vehicle through which all employees of the State of Delaware may, on a voluntary basis, provide for additional retirement income security by deferring a portion of their current earnings.

**Contributions**

Under Plan provisions, employees of the State, the Delaware Transit Corporation and the Delaware Solid Waste Authority are eligible to contribute into the Plan through payroll deductions. There are 34,800 employees eligible to participate in the Plan. There were 13,527 employees participating in the Plan as of December 31, 2008. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contribution to 100% of annual gross includable compensation, not to exceed \$15,500 for calendar years 2008 and 2007. Special "catch-up" rules may permit an additional annual deferral up to \$5,000 for calendar years 2008 and 2007 in certain circumstances.

The Plan also allows special limitation (or Section 457 Catch Up) for certain participants. The allowability of these contributions is as follows:

For one or more of the Participant's last three taxable years ending before the Participant attains Normal Retirement Age, notwithstanding the limits set above, the maximum amount that may be contributed shall be the lesser of:

- (A) Twice the dollar (\$15,500 for calendar years 2008 and 2007) amount in effect under the Basic Limitation as set forth in; or
- (B) The underutilized limitation. For such purposes, the underutilized amount is the sum of:
  - (1) An amount equal to (i) the Basic Limitation identified above (\$15,500 for calendar years 2008 and 2007) of the taxable year plus each calendar year beginning after December 31, 2001 during which the Participant was an Employee under the Plan reduced by (ii) the Participant's annual deferrals under the Plan during such years.
  - (2) An amount equal to such limitation as established under Section 457(b)(2) of the Code for each taxable years beginning after December 31, 1978 and before January 1, 2002 in which the Participant was eligible to participate less the amount of the Participant's annual deferrals to Pre-2002 Coordination Plans for such prior taxable year or years (disregarding any age 50 catch up deferrals). In determining the underutilized limitation for taxable years prior to 2002, the special rules set forth in Treas. Reg § 1.457-4(c)(3)(iv) shall be applied.

Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State does not make any contributions to the Plan. The State does offer a separate 401(a) "match" plan.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for Plan years beginning after December 31, 1996, assets of IRC Section 457 plan must be held in a trust, custodial account, or annuity contract, for the exclusive benefit of employees and beneficiaries and will no longer be solely the property of the employer and subject only to claims of the employer's general creditors. At December 31, 2008 and 2007, the Plan met the requirements of the SBJPA.

**Participant Accounts**

Employees electing to participate in the Plan may contribute to any of the following options:

- A stable value investment option administered by Fidelity Management Trust Company
- Variable earnings investments consisting of various publicly-traded mutual funds

Participants are fully vested in their accounts at all times.

**Payment of Benefits**

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

**Investment Valuation**

Investments in the fixed earnings and stable value options are valued based on the fixed earnings rates as reported by the investment carriers or manager and approved by Plan management. The investment valuation includes contributions received plus investment income earned to date less applicable charges and amounts withdrawn. Variable earnings investments in publicly-traded mutual funds are presented at fair value based on published quotations. The stable value fund is reported at contract value, which approximates fair value. All purchases and sales of investments are recorded on a trade-date basis.

**Contributions**

Contributions are recognized when amounts are withheld from employees.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Variable Earnings Investment Income**

Variable earnings investment income consists of dividends earned and realized and unrealized gains and losses attributed to the mutual funds supporting the variable earnings investments. Dividends are recorded on the ex-dividend date.

**Interest Income**

Interest income for the fixed investments is recorded as earned on the accrual basis.

The interest rate for the stable value investment option ranged from 3.75% to 4.51% for the year ended December 31, 2008, and 4.12% to 4.37% for the year ended December 31, 2007. At December 31, 2008, the actual crediting rate was 3.75%.

**Distributions**

Distributions are recorded at the time withdrawals are made from participant accounts.

**Participants Accounts**

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

**Related Party Transactions**

Certain members of the Deferred Compensation Council are participating or retired members of the Plan.

**NOTE 2 – INVESTMENTS AND DEPOSITS**

Delaware code Title 29 Section 6057 outlines the types of allowable investments of the Plan. These investments include the following:

- 1) Savings accounts in Federally insured banking institutions
- 2) United States government bonds or debt instruments
- 3) Life insurance and annuity contracts, provided the company offering such contracts are subject to regulation by the Insurance Commission of the State
- 4) Investment Funds registered under the Investment Company Act of 1940
- 5) Securities which are traded on the New York Exchange National Association of Securities Dealers Automated Quotations (NASDAQ) and American Stock Exchange

The Deferred Compensation Council has overall responsibility for ensuring the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

The Council has authorized the Plan to invest in the following investment types:

- Low risk mutual funds which includes money market securities and/or stable value investments with a short-term (1-4 years) average duration.
- Balanced mutual funds which include domestic and international stocks, bonds and cash.
- Equity mutual funds that differ in investment style (growth vs. value) and capitalization bias (large cap, mid cap and small cap).
- Intermediate bond mutual funds which includes mutual funds that own investment grade debt securities with an intermediate term (3-10 years) average duration.
- International mutual funds which includes mutual funds that invest in securities of countries outside the U.S. and diversify their investments across a broad range of markets and securities.

The fair or contract value of investments held in the name of the Plan at December 31, 2008 and 2007 were as follows:

Investments marked with an asterisk (\*) represent individual investment options, which exceed 5% of the net assets available for plan benefits. Investments marked with two asterisk (\*\*) represent international mutual funds.

	<u>2008</u>	<u>2007</u>
<b>Fixed Earnings Investments:</b>		
Stable value option	\$ 8,501,476	\$ 6,877,519
<b>Variable Earnings Investments:</b>		
Fidelity Money Market Trust Retirement Money Market Portfolio	29,347,363 *	27,939,552
Fidelity Equity-Income II Fund	14,140,478 *	27,745,692
Fidelity Freedom 2020 Fund	18,309,081 *	23,403,438
Vanguard Institutional Index Fund	12,797,949 *	20,740,813
Fidelity Freedom 2010 Fund	13,781,660 *	18,386,211
Fidelity Freedom 2030 Fund	9,061,510	12,034,968
Fidelity Aggressive Growth Fund	4,366,410	9,229,045
Fidelity Diversified International Fund	4,149,286 **	7,862,709
Fidelity Freedom 2015 Fund	7,594,221	7,856,962
Fidelity Puritan Fund	4,343,233	6,908,084
PIMCO Total Return Fund	7,640,143	6,531,324 **
Fidelity Capital Appreciation Fund	3,440,746	6,442,361
Fidelity Freedom 2025 Fund	5,442,339	6,020,516
Brokeragelink	4,673,670	5,623,188
Legg Mason Value Institutional Fund	2,132,635	5,298,376
Fidelity Dividend Growth Fund	2,496,549	5,288,239
Fidelity Contrafund	3,681,306	5,171,670
Vanguard Windsor Administrative Fund	2,268,213	4,310,962
Fidelity Low-Priced Stock Fund	2,470,790	3,880,502 **
Janus Worldwide Fund	2,010,162 **	3,814,502
Fidelity Balanced Fund	2,577,275	3,768,169

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2008</b>	<b>2007</b>
<b>Variable Earnings Investments (Continued):</b>		
Fidelity Freedom 2040 Fund	\$ 2,927,050	\$ 3,606,736
Fidelity Fund	1,939,250	3,284,311
Fidelity Select Money Market Portfolio	6,007,038	3,203,585 **
Fidelity Freedom 2035 Fund	2,249,927	2,551,933
Fidelity Freedom 2000 Fund	1,419,093	2,292,492 **
Fidelity Growth Company Fund	1,287,617	2,208,327
Fidelity Leveraged Company Stock Fund	1,047,790	2,199,809
Fidelity Cash Reserves	3,443,244	2,150,476
Fidelity Value Fund	962,383	2,117,293
Fidelity Freedom Income Fund	1,385,665	1,839,111
Fidelity Mid Cap Stock Fund	900,155	1,796,522
Fidelity Latin America Fund	842,038 **	1,723,691
Domini Social Equity Fund	1,018,976	1,680,988
Spartan U.S. Equity Index Fund-Fidelity Advantage Class	1,080,951	1,678,907
Oakmark Equity & Income Fund	1,572,209	1,658,492
Fidelity Blue Chip Growth Fund	1,054,411	1,629,294
Fidelity Four In One Index	1,022,177	1,416,237 **
Fidelity International Discovery Fund	814,911 **	1,405,467
Fidelity Canada Fund	898,954 **	1,400,220
Fidelity Select Technology Portfolio	620,986	1,375,280
Fidelity Select Energy Portfolio	696,772	1,295,919 **
Fidelity Freedom 2005 Fund	924,704	1,269,685 **
Fidelity Equity-Income Fund	669,733	1,209,495
Baron Growth Fund	718,231	1,191,646
Fidelity Money Market Trust Retirement Government Money Market	1,118,092	1,093,937
Fidelity Southeast Asia Fund	293,393 **	1,083,049
Fidelity Capital & Income Fund	615,532	1,041,402
Fidelity Select Defense and Aerospace Portfolio	508,674	1,040,521
Vanguard Morgan Growth Administrative Fund	642,195	979,548
Fidelity U.S. Government Reserves	1,803,792	944,731
Fidelity Small Cap Stock Fund	514,559	900,830 **
Fidelity U.S. Bond Index Fund	928,279	893,176
Fidelity Government Income Fund	1,662,379	890,531
Fidelity Asset Manager 20%	686,907	869,246
Fidelity Select Biotechnology Portfolio	825,305	850,696 **
Spartan Total Market Index Fund-Fidelity Advantage Class	605,340	846,912
Spartan International Index Fund-Fidelity Advantage Class	513,809 **	846,747
Fidelity Asset Manager 70%	566,619	841,331
Fidelity Emerging Markets Fund	336,463 **	840,860
Fidelity Export and Multinational Fund	461,381 **	839,009
Janus Adviser International Growth Fund S	550,753 **	825,116
Fidelity Select Natural Gas Portfolio	449,374	812,647 **
Fidelity Select Energy Service Portfolio	266,941	805,385
Fidelity Select Healthcare Portfolio	521,895	797,175 **
Janus Mid Cap Value Investor	623,569	793,969
Fidelity Strategic Income Fund	795,010	773,425 **

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2008</b>	<b>2007</b>
<b>Variable Earnings Investments</b> (Continued):		
American Beacon Large Cap Value Institutional	\$ 467,748	\$ 765,345
Fidelity Intermediate Bond Fund	549,325	726,487
Fidelity Select Gold Portfolio	1,094,591	722,031
Fidelity China Region Fund	277,198 **	713,723
Fidelity Real Estate Investment Portfolio	383,100	701,620
Fidelity New Markets Income Fund	604,279	695,099
Fidelity International Small Cap Fund	334,161 **	691,839
Fidelity Select Electronics Portfolio	287,649	672,402
Fidelity Select Natural Resources Portfolio	385,747	667,202
Alger Capital Appreciation Institutional Fund I	420,859	664,656
Neuberger Berman Genesis Trust Fund	527,579	654,349
Fidelity Fifty	332,428	653,329
Fidelity Ginnie Mae Fund	766,271	650,353
Franklin Mutual Discovery CL A	460,883 **	640,048
Fidelity Growth Discovery Fund	407,379	621,675
Alger Midcap Growth Institutional Fund I	276,289	606,691 **
AIM Basic Balanced Investment Fund	363,589	604,322
USAA Income Fund	574,950	603,733
Fidelity Freedom 2045 Fund	704,481	602,874
Fidelity Asset Manager 85%	382,774	596,474
Fidelity Growth & Income Portfolio	348,778	591,110
Fidelity Select Wireless Portfolio	271,746	589,521
Fidelity Independence Fund	488,862	563,970
Fidelity Asset Manager 50%	345,632	536,125
Wells Fargo Advantage Small Cap Value Fund Z	336,395	521,332
Fidelity Large Cap Stock Fund	183,417	491,854
Fidelity Convertible Securitas Fund	240,476	487,080
Mutual Shares Class A	285,481	472,989 **
Fidelity Mega Cap Stock Fund	213,087	460,320 **
Oakmark Select Fund I	255,707	458,059
Fidelity Short Term Bond Fund	377,963	435,892 **
FPA Crescent Portfolio	317,134	431,079
Fidelity Select Medical Delivery Portfolio	220,532	420,893
Templeton Growth Fund A	177,827 **	414,278
Ariel Appreciation Fund	229,161	407,050
Morgan Stanley Institutional Emerging Markets P	50,359 **	402,418
Royce Low Priced Stock Institutional Fund	287,698	398,691
Allianz NFJ Small Cap Value Administrative Fund	295,292	377,014 **
Templeton Global Bond Fund A	641,826 **	376,010
Fidelity Europe Capital Appreciation Fund	154,675 **	369,967
Fidelity Investment Grade Bond Fund	379,792	369,901
PIMCO High Yield Admin Fund	333,689	369,438
Fidelity Select Medical Equipment and Systems Portfolio	380,826	353,425 **
Templeton Developing Markets Fund A	147,435 **	350,852
Fidelity OTC Portfolio	208,100	343,283
Spartan Extended Market Index Fund-Fidelity Advantage Class	267,491	340,254

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2008</b>	<b>2007</b>
<b>Variable Earnings Investments</b> (Continued):		
Fidelity Select Computers Portfolio	\$ 157,807	\$ 336,760
Fidelity Select Software & Computer Services Portfolio	187,163	333,513
Fidelity Blue Chip Value Fund	168,285	324,866
Fidelity Mid Cap Value Fund	182,775	321,090
USAA Growth Fund	170,223	311,072
Janus Flexible Bond Fund	340,324	309,771
Lord Abbett Mid Cap Value Fund A	199,626	307,805
Fidelity Global Balanced Fund	244,643 **	307,227
Fidelity International Real Estate	94,925 **	299,274
Fidelity Overseas Fund	113,467 **	287,474
Artisan International Investment Fund	124,815 **	283,498
Fidelity Large Cap Value Fund	200,315	282,478 **
Templeton Foreign Fund A	155,834 **	280,095
Ariel Fund	109,325	279,248
Fidelity Value Discovery Fund	228,865	262,530
Wells Fargo Advantage Growth Fund-Investor Class	164,849	257,949
Fidelity Intermediate Government Income Fund	626,571	251,797
Fidelity Nordic Fund	99,722 **	249,379
Fidelity Pacific Basin Fund	97,304 **	249,295
Managers Bond Fund	230,000	241,560
Janus Adviser Forty Fund S	358,344	241,067 **
Fidelity Select Utilities Growth Portfolio	113,922	225,624
Baron Asset Fund	121,975	218,774
Fidelity Japan Smaller Companies Fund	107,847 **	215,356
Fidelity High Income Fund	165,512	214,216
Franklin Small-Mid Cap Growth Fund A	90,415	214,128
Fidelity Freedom 2050 Fund	314,715	213,882
DWS Dreman High Return Equity Fund A	107,253	213,477
Fidelity Trend Fund	97,087	212,454
Fidelity Utilities Fund	136,981	205,914
PIMCO Long-Term U.S. Government Admin Fund	374,161	194,738
Fidelity Aggressive International Fund	96,575 **	192,460
Fidelity Select Consumer Staples Portfolio	268,073	185,837
Templeton World Fund A	117,774 **	181,143
Fidelity International Small Cap Opportunities Fund	46,866 **	178,166
Fidelity Europe Fund	92,212 **	167,448
PIMCO Low Duration Admin Fund	203,572	167,014 **
American Funds New Perspective R5	148,799	162,695
Oakmark Fund I	98,861	161,700
Fidelity Disciplined Equity Fund	112,274	161,351
Neuberger Berman Partners Trust Fund	86,527	161,135
Fidelity Select Materials Portfolio	66,142	160,064 **
Dreyfus Premier Core Value CL I	107,579	154,896 **
Fidelity Select Communications Equipment Portfolio	70,101	150,746
American Beacon International Equity Plan Ahead CL	81,199 **	150,559
Fidelity Inflation-Protected Bond Fund	475,429	148,603
Fidelity Nasdaq Composite Index	124,766	147,439

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2008</b>	<b>2007</b>
<b>Variable Earnings Investments</b> (Continued):		
Fidelity Small Cap Independence Fund	\$ 65,365	\$ 136,140
Fidelity Mid Cap Growth Fund	56,312	135,167 **
Fidelity Small Cap Retirement Fund	94,684	132,965 **
PIMCO Global Bond (Unhedged) Admin Fund	163,652 **	132,594
Fidelity Select Telecommunications Portfolio	64,022	131,466
Fidelity Worldwide Fund	83,138 **	131,324
Fidelity Select Leisure Portfolio	72,967	130,941
Fidelity Japan Fund	48,240 **	129,415
Morgan Stanley Institutional U.S. Large Cap Growth I	52,249	123,964
Neuberger Berman Guardian Trust CL	82,681	121,693
USAA International Fund	89,839 **	120,223
Morgan Stanley Institutional Mid Cap Growth Fund P	69,959	119,420 **
Allianz CCM Capital Appreciation Administrative Fund	58,655	119,045 **
Van Kampen Growth & Income Class A	127,377	118,468
Alger Small Cap Growth Institutional Fund I	73,008	115,942
Artisan Mid Cap Investment Fund	88,544	110,973 **
Dreyfus Founders Discovery Fund F	68,456	110,056
Fidelity Small Cap Value Fund	76,793	109,481
Fidelity Select Financial Services Portfolio	142,138	105,190
Spartan Short-Term Treasury Bond Index Fund-Investor Class	430,547	105,136 **
Fidelity Large Cap Growth Fund	43,748	103,989
Wells Fargo Advantage Government Security Fund	142,520	101,316 *
Fidelity Select Brokerage and Investment Management Portfolio	65,588	101,142
USAA Emerging markets Fund	57,685 **	96,266
Rice Hall James Micro Cap Portfolio	55,699	95,556 **
Wells Fargo Advantage Opportunity Fund	62,667	95,504
Fidelity Select Chemicals Portfolio	106,794	95,070 **
Wells Fargo Advantage Discovery Fund-Investor Class	57,766	92,527 *
Dreyfus Founders Mid Cap Growth Fund F	50,894	91,695
AIM Dynamics Investment Mutual Fund	47,721	90,215
Fidelity Select Banking Portfolio	78,860	89,854 **
Janus Adviser Balanced Fund S	99,516	88,872
AIM Basic Value Fund A	41,489	87,704
Fidelity Mortgage Securities Portfolio	60,239	86,301
Fidelity Small Cap Growth Fund	43,337	83,642
Allianz CCM Mid Cap Administrative Fund	45,349	78,783
Fidelity Select Pharmaceuticals Portfolio	81,287	78,372
Old Mutual Developing Growth Fund Z	40,003	72,576
USAA Cornerstone Strategy Fund	52,817	70,179
Fidelity Select Insurance Portfolio	37,893	69,764
Morgan Stanley Institutional Core Plus FI P	28,585	69,698
American Beacon Balanced Plan Ahead CL	64,637	69,496
AIM Small Capital Growth Investment Fund	42,871	68,455
Morgan Stanley Institutional Small Co Growth Fund P	39,433	68,163 **
Fidelity Value Strategies Fund	32,145	67,248
Fidelity Focused Stock Fund	27,256	66,188
Fidelity Strategic Dividend and Income Fund	27,597	66,155



**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2008</b>	<b>2007</b>
<b>Variable Earnings Investments</b> (Continued):		
Fidelity Stock Selector	\$ 50,439	\$ 65,155 **
Morgan Stanley Institutional Active International Alloc Fund P	40,118 **	64,431
Templeton Foreign Smaller Companies Fund A	17,766 **	57,557
AIM Global Aggressive Growth Fund A	34,556 **	55,276
Western Asset Core Bond FI CL	50,186	55,243
Fidelity Select Home Finance Portfolio	28,659	55,051 **
AIM Diversified Dividend Investment Fund	43,656	52,789 **
Dreyfus Founders Equity Growth Fund A	41,048	52,291
Credit Suisse Small Cap Core Comm Fund	31,675	51,522 **
FMA Small Company Portfolio	39,603	51,362
American Century Large Company Value Investor	30,407	50,937
Wells Fargo Advantage Common Stock Z Fund	30,866	48,632 *
Fidelity Select Construction and Housing Portfolio	30,450	47,626
Fidelity Select Networking and Infrastructure Portfolio	30,911	47,365
Fidelity Real Estate Income Fund	30,090	46,000
Neuberger Berman Socially Resp Trust Fund	30,026	42,443
American Beacon Small Cap Value Plan	28,772	39,230
American Century Small Company Investor	20,564	38,813
Fidelity Select Industrials Portfolio	28,795	37,190
Credit Suisse Large Cap Value A	24,866	37,062
Fidelity Select IT Services Portfolio	2,992	36,405
Fidelity Floating Rate High Income Fund	26,911	36,300
Fidelity Select Transportation Portfolio	82,085	36,135
Dreyfus Founders Equity Growth Fund F	22,279	34,780
Fidelity Total Bond Fund	145,702	34,184
Old Mutual Mid Cap Fund Z	18,264	33,790
USAA GNMA Trust Fund	60,187	31,778 **
TCW Select Equities Fund N	11,098	29,658
Fidelity Select Air Transportation Portfolio	29,834	29,135
USAA Income Stock Fund	30,945	29,104
AIM Mid Cap Core Equity Fund A	33,220	28,141
Fidelity Industrial Equipment Portfolio	12,359	27,572
Credit Suisse Large Capital Growth Fund	27,383	27,465 **
Fidelity Select Retailing Portfolio	20,799	25,596
Managers Special Equity Fund I	17,530	25,521
Lehman Brothers Core Bond Neub Investor Class	25,072	25,246 **
Calvert Social Investment Balanced CL A	19,791	25,098
Dreyfus Founders Worldwide Growth Fund F	9,082 **	24,619 **
Wells Fargo Advantage Ultra S/T Income Fund	33,639	24,003
McKee International Equity Inst CL	13,730 **	22,690
Janus Adviser Large Cap Growth Fund S	13,881	21,942
Morgan Stanley Institutional Global Value Equity Fund P	5,283 **	19,941
Loomis Sayles Small Cap Value Retail CL	9,594	19,374
American Beacon Short Term Bond Plan Ahead CL	20,905	18,520
Fidelity Select Multimedia Portfolio	9,320	17,923 **
Wells Fargo Advantage Large Cap Gr Investment Fund	12,000	16,350

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2008</b>		<b>2007</b>
<b>Variable Earnings Investments</b> (Continued):			
Morgan Stanley Institutional International Equity P	\$ 12,065 **	\$	16,208
Fidelity Total International Equity Fund	7,636 **		16,169
Fidelity International Value Fund	11,225 **		16,168
AIM Constellation Fund A	18,259		15,408
Fidelity Institutional Short-Intermediate Government Fund	230,505		14,892
Dreyfus Founders Balanced Fund F	-		14,889
Fidelity Select Paper & Forest Products Portfolio	5,352		14,431
Neuberger Berman Focus Trust Fund	11,783		14,174
Fidelity Select Automotive Portfolio	16,948		13,740 **
Janus Adviser Flexible Bond Fund S	28,739		12,095
Fidelity Select Environmental Portfolio	19,642		12,058
Credit Suisse Global Fixed Income Com Fund	22,994		11,791
Morgan Stanley Institutional High-Yield Fund P	-		11,481
Calvert Social Investment Equity CL A	8,940		10,639
Janus Adviser Worldwide Fund S	35,788 **		10,296
Fidelity Ultra short Bond Fund	13,708		10,209
Fidelity Strategic Real Return Fund	22,235		9,873
Fidelity Focused High Income	4,643		9,489
Fidelity Select Consumer Discretionary Portfolio	8,899		8,054
Credit Suisse Mid Cap Core Comm Fund	2,902		7,888 **
Old Mutual Large Cap Fund Z	-		7,845
Old Mutual Developing Growth Fund Class Z	3,882		7,554 **
Calvert New Vision Small Cap CL A	1,698		7,407
AIM Large Capital Growth Fund A	1,144		7,365
Morgan Stanley Institutional Balanced P Fund	329		7,017
Neuberger Berman Mid Cap Growth Trust Fund	4,054		6,703
Wells Fargo Advantage Short-Term Bond Fund-Investor Class	14,564		6,488
Dreyfus Founders Passport Fund F	2,923 **		5,931
DWS Growth & Income Fund S	4,781		5,132 **
Calvert World Values International Equity CL A	2,039 **		3,788
Calvert Capital Accumulation CL A	2,529		3,544
Morgan Stanley Institutional International Magnum Fund P	-		3,266 **
Spartan Intermediate Treasury Bond Index Fund-Investor Class	594,511		2,680
American Century Ultra Investment Fund	5,286		2,487
Old Mutual Strategic Small Company Fund Z	2,083		1,679
Fidelity New Millennium Fund	4,881		1,074 **
TCW Small Cap Growth Fund N	15,161		500
Spartan Long term Treasury Bond Index Fund-Investor Class	236,440		368
Credit Suisse International Focus Com Fund	305 **		305
Managers AMG Essex Large Cap Growth Fund	15,197		202 **
Fidelity Large Cap Growth Enhanced Index Fund	222		87
Fidelity Large Cap Core Enhanced Index Fund	754		77
Fidelity Asset Manager 30% Fund	141		20
Fidelity Asset Manager 40% Fund	58		20
Fidelity International Growth Fund	6,342 **		20 **
Fidelity Asset Manager 60% Fund	437		20
Fidelity Large Cap Value Enhanced Index Fund	576		20

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (Continued)**

	<u>2008</u>	<u>2007</u>
<b>Variable Earnings Investments (Continued):</b>		
Dreyfus Long Term Growth and Income Investor Class	\$ 13,747	\$ -
Fidelity 130/30 Large Cap Fund	153	-
Fidelity Europe, Middle East and Africa Fund	11,427 **	-
Fidelity International Enhanced Index Fund	162 **	-
Fidelity Magellan Fund	49,022	-
Fidelity Mid Cap Enhanced Index Fund	174	-
Fidelity Small Cap Enhanced Index Fund	35,368	-
Old Mutual Focused Z Fund	9,060	-
<b>Total Investments</b>	<u><u>\$ 247,625,367</u></u>	<u><u>\$ 333,008,713</u></u>

**Custodial credit risk** is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. Investments in Fidelity fixed earnings investments are held in the Plan's name by Fidelity, agent of the Plan; the remaining investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

**Interest rate risk** is the risk that changes in interest rates that will adversely affect the value of an investment.

As of December 31, 2008, the Plan had the following investments and maturities in its fixed earnings investments and 93 of its mutual funds which include investments in bonds.

	<u>Fair Value</u>	<u>Weighted Avg. Maturity</u>
<b>Fixed Earnings Investments:</b>		
Stable value option	\$ 8,501,476	2.90
<b>Variable Earnings Investments:</b>		
Fidelity Ginnie Mae Fund	766,271	3.40
Fidelity Investment Grade Bond Fund	379,792	5.90
Fidelity Intermediate Bond Fund	549,325	4.70
Fidelity Capital & Income Fund	615,532	5.90
Fidelity Mortgage Securities Portfolio	60,239	3.80
Fidelity Government Income Fund	1,662,379	5.20
Fidelity Freedom Income Fund	1,385,665	4.19
Fidelity Freedom 2000 Fund	1,419,093	4.13
Fidelity Freedom 2010 Fund	13,781,670	5.10
Fidelity Freedom 2020 Fund	18,309,081	5.47
Fidelity Freedom 2030 Fund	9,061,510	5.53
Fidelity Short Term Bond Fund	377,963	2.20
Fidelity Intermediate Government Income Fund	626,571	4.30
Fidelity High Income Fund	165,512	5.30

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>Fair Value</b>	<b>Weighted Avg. Maturity</b>
<b>Variable Earnings Investments (Continued):</b>		
Fidelity U.S. Bond Index Fund	\$ 928,279	5.00
Fidelity Institutional Short-Intermediate Government Fund	230,505	3.00
Fidelity Freedom 2040 Fund	2,927,050	5.54
Fidelity Inflation-Protected Bond Fund	475,429	9.10
Fidelity Ultrashort Bond Fund	13,708	0.70
Fidelity Floating Rate High Income Fund	26,911	3.70
Fidelity Total Bond Fund	145,702	5.70
Fidelity Freedom 2005 Fund	927,704	4.90
Fidelity Freedom 2015 Fund	7,594,221	5.16
Fidelity Freedom 2025 Fund	5,442,339	5.52
Fidelity Freedom 2035 Fund	2,249,927	5.53
Fidelity Focused High Income	4,643	5.90
Spartan Short-term Treasury Bond Index Fund-Investor Class	430,547	2.80
Spartan Intermediate Treasury Bond Index Fund-Investor Class	594,511	7.40
Spartan Long-term Treasury Bond Index Fund-Investor Class	236,440	18.30
Fidelity Freedom 2045 Fund	704,481	5.51
Fidelity Freedom 2050 Fund	314,715	5.54
PIMCO Total Return Fund	7,640,143	6.10
Janus Adviser Balanced Fund S	99,516	5.40
Janus Adviser Flexible Bond Fund S	28,739	5.60
American Beacon Short Term Bond PlanAhead CL	20,905	7.08
Calvert Social Investment Balanced CL A	19,791	3.10
Lehman Brothers Core Bond Neub Investor Class	25,072	5.70
Oakmark Equity & Income Fund	1,572,209	7.08
Pimco Global Bond (Unhedged) Admin Fund	163,652	7.09
Pimco High Yield Admin Fund	333,689	7.23
Pimco Low Duration Admin Fund	203,572	1.47
Templeton Global Bond Fund A	641,826	9.21
USAA Cornerstone Strategy Fund	52,817	6.61
USAA GNMA Trust Fund	60,187	2.85
USAA Income Fund	574,950	5.06
Credit Suisse Global Fixed Income Com Fund	22,994	7.09
Managers Bond Fund	230,000	14.44
Western Asset Core Bond FI CL	50,186	5.90
AIM Basic Balanced Investment Fund	363,589	9.45

The mutual funds in the chart listed on the following pages do not have a weighted average maturity. Fidelity provided the following information related to the duration of their investments:

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

		Maturity 1-3 Yr	Maturity 3-5 Yr	Maturity 5-7 Yr	Maturity 7-10 Yr	Maturity 10-15 Yr	Maturity 15-20 Yr	Maturity 20-30 Yr	Maturity 30+ Yr
	Fair Value	%	%	%	%	%	%	%	%
<b>Variable Earnings Investments:</b>									
Alger Capital Appreciation Institutional Fund I	\$ 420,859	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
American Beacon Balanced Plan Ahead CL	64,637	7.68	10.96	14.99	12.77	4.30	1.70	44.54	3.05
Baron Growth Fund	718,231	0.00	21.61	78.39	0.00	0.00	0.00	0.00	0.00
Calvert Capital Accumulation CL A	2,529	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Calvert World Values International Equity CL A	2,039	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Credit Suisse Global Fixed Income Com Fund	22,994	27.29	14.62	10.34	20.30	7.05	9.01	10.74	0.65
Fidelity Asset Manager 20%	686,907	9.73	23.04	3.67	23.48	3.27	3.27	23.58	9.95
Fidelity Asset Manager 30% Fund	141	9.73	23.06	3.67	23.47	3.27	3.27	23.57	9.95
Fidelity Asset Manager 40% Fund	58	9.74	23.10	3.67	23.45	3.28	3.27	23.55	9.94
Fidelity Asset Manager 50%	345,632	9.75	23.11	3.67	23.45	3.28	3.26	23.55	9.94
Fidelity Asset Manager 60% Fund	437	9.76	23.17	3.66	23.41	3.29	3.26	23.52	9.92
Fidelity Asset Manager 70%	566,619	9.79	23.26	3.65	23.37	3.31	3.25	23.47	9.90
Fidelity Asset Manager 85%	382,774	9.99	23.94	3.58	23.00	3.42	3.20	23.14	9.73
Fidelity Balanced Fund	2,577,275	9.35	21.02	5.93	19.58	2.17	3.21	30.48	8.25
Fidelity Convertible Securitas Fund	240,476	7.29	31.29	10.51	6.47	1.02	17.54	8.99	16.89
Fidelity Dividend Growth Fund	2,496,549	0.00	0.00	36.33	46.50	0.00	0.00	0.00	17.17
Fidelity Equity-Income Fund	669,733	17.45	0.00	16.27	21.20	6.85	0.00	29.76	8.46
Fidelity Export and Multinational Fund	461,381	0.00	0.00	14.61	0.00	0.00	85.39	0.00	0.00
Fidelity Four In One Index	1,022,177	20.81	25.36	4.28	18.26	4.66	1.14	19.25	6.23
Fidelity Global Balanced Fund	244,643	3.58	16.59	19.01	39.96	2.81	4.34	10.33	3.38
Fidelity Large Cap Stock Fund	183,417	0.00	41.67	0.00	0.00	0.00	0.00	0.00	58.33
Fidelity Leveraged Company Stock Fund	1,047,790	5.95	24.38	22.93	26.61	9.63	5.03	5.47	0.00
Fidelity New Markets Income Fund	604,279	13.38	15.91	6.54	19.41	9.10	11.72	19.17	4.76
Fidelity Puritan Fund	4,343,233	15.93	21.32	4.12	17.97	1.99	3.39	27.96	7.32
Fidelity Real Estate Income Fund	30,090	25.30	20.70	13.31	4.54	2.53	9.61	22.70	1.31
Fidelity Select Air Transportation Portfolio	29,834	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00
Fidelity Select Chemicals Portfolio	106,794	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Fidelity Select Computers Portfolio	157,807	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Fidelity Select Electronics Portfolio	287,649	0.00	17.97	79.48	2.55	0.00	0.00	0.00	0.00
Fidelity Select Healthcare Portfolio	521,895	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Select Industrials Portfolio	28,795	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

		Maturity 1-3 Yr	Maturity 3-5 Yr	Maturity 5-7 Yr	Maturity 7-10 Yr	Maturity 10-15 Yr	Maturity 15-20 Yr	Maturity 20-30 Yr	Maturity 30+ Yr
	Fair Value	%	%	%	%	%	%	%	%
<b>Variable Earnings Investments:</b> (Continued)									
Fidelity Select Medical Delivery Portfolio	\$ 220,532	0.00	0.00	0.93	99.07	0.00	0.00	0.00	0.00
Fidelity Select Technology Portfolio	620,986	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Select Utilities Growth Portfolio	113,922	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00
Fidelity Small Cap Retirement Fund	94,684	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Small Cap Value Fund	76,793	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Southeast Asia Fund	293,393	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Strategic Dividend and Income Fund	27,597	0.00	0.00	0.00	0.00	0.00	0.00	18.27	81.73
Fidelity Strategic Income Fund	795,010	9.52	17.10	15.81	24.60	7.99	4.40	16.57	4.00
Fidelity Strategic Real Return Fund	22,235	10.62	25.36	27.55	11.25	0.47	19.05	5.24	0.46
Fidelity Value Fund	962,383	20.48	0.00	0.00	0.00	0.00	0.00	58.55	20.96
Fidelity Value Strategies Fund	32,145	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
FPA Crescent Portfolio	317,134	48.57	23.82	15.01	7.35	0.00	4.35	0.90	0.00
Janus Adviser Large Cap Growth Fund S	13,881	0.00	0.00	63.29	36.71	0.00	0.00	0.00	0.00
Janus Flexible Bond Fund	340,324	15.24	19.26	5.02	16.59	4.98	0.33	38.58	0.00
Morgan Stanley Institutional Balanced P Fund	329	23.72	9.97	7.14	7.19	2.53	12.14	8.92	28.39
Morgan Stanley Institutional Core Plus FI P	28,585	5.83	2.84	1.03	17.36	10.67	1.67	58.27	2.33
PIMCO Long-Term U.S. Government Admin Fund	374,161	5.33	2.26	6.13	5.32	18.15	8.04	47.59	7.18
Templeton Foreign Fund A	155,834	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Templeton World Fund A	117,774	22.84	21.86	0.00	0.00	0.00	0.00	55.30	0.00
Wells Fargo Advantage Government Security Fund	142,520	12.91	10.70	8.86	10.34	5.76	7.66	36.71	7.06
Wells Fargo Advantage Short-Term Bond Fund-Investor Class	14,564	31.86	35.48	2.99	3.28	5.66	2.64	13.96	4.14
Wells Fargo Advantage Ultra S/T Income Fund	33,639	38.48	8.64	1.09	2.55	4.09	5.59	32.33	7.23

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

**Credit risk** is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Council. The investments that exceed 5% are identified on page 11 through 18.

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$15,241,698 as of December 31, 2008. The individual funds are identified on page 11 through 18.

**NOTE 3 – PLAN ADMINISTRATION**

The Plan administrator is Fidelity Management Trust Company (FMTC).

Participants may also select a Self-Directed brokerage account. The annual account fee for this account was waived for the years ending December 31, 2008 and 2007. The fees charged are netted against participant accounts and are not reflected as administrative expenses. Brokerage fees charged to participants during 2008 and 2007 were \$14,779 and \$9,075, respectively.

**NOTE 4 – TAX STATUS**

In the opinion of the legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 to the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

**NOTE 5 – PLAN TERMINATION**

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 6 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Plan Benefits.



**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Deferred Compensation Council  
The State of Delaware Deferred Compensation Plan  
Dover, Delaware

We have audited the basic financial statements of the State of Delaware Deferred Compensation Plan (the Plan) as of and for the year ended December 31, 2008 and have issued our report thereon dated May 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in a normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Plan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Plan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Deferred Compensation Council, Management and other oversight agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited.

*Clifton Gunderson LLP*

Newark, Delaware  
May 1, 2009